

MINUTES OF  
THE INDIANAPOLIS LOCAL PUBLIC IMPROVEMENT BOND BANK

Minutes of the Special Meeting of the Board of Directors  
February 9, 2004

MEMBERS PRESENT:     John J. Dillon  
                             Arnold Pinkston  
                             Tom O'Donnell  
                             Mary Titsworth-Chandler

ABSENT:                 Jacob Hall

OTHERS PRESENT:     Robert Clifford, Indianapolis Bond Bank  
                             Jennifer Weflen, Indianapolis Bond Bank  
                             Monica Durrett, Indianapolis Bond Bank  
                             Laurie Canatsey, Indianapolis Bond Bank  
                             Matt Hall, Indianapolis Bond Bank  
                             Evert Hauser, Indianapolis Bond Bank  
                             Geneva Walker, Indianapolis Bond Bank  
                             Kobi Wright, Indianapolis Bond Bank  
                             Jacqui Coe, Indianapolis Bond Bank  
                             Bob Kocher, J.P Morgan  
                             Sharon Karst, J.P. Morgan  
                             Hans Steck, Bingham McHale LLP  
                             Kelly Hill, City Securities  
                             Greg Taylor, GSH, LLP  
                             David Girton, SBK Brooks Inv. Corp.  
                             Jim Merten, City Securities  
                             Ted Esping, Baker & Daniels  
                             Jeff Qualkinbush, Barnes & Thornburg  
                             Ann Forey, National City Bank  
                             John Petty, National City Bank  
                             Todd Krzyskowski, Banc One Capital Markets, Inc.  
                             Bob Swhier, BME  
                             Rich Harcourt, NCBI  
                             Turae Dabney, Rep. William A. Crawford  
                             Chuck Cagann, Mansur  
                             Tom McGowan, Kite  
                             John Kite, Kite  
                             Ashley Ottesen, Kite

The Special Meeting of the Indianapolis Local Public Improvement Bond Bank ("Bond Bank") convened at 12:10 p.m., Monday, February 9, 2004, at the City-County Building, 200 East Washington Street, Suite 224, Indianapolis, Indiana, pursuant to notice given in accordance with IC 5-14-1.5. Mr. John Dillon called the meeting to order after determining that a quorum was present.

Chairman Dillon asked the Board to review the minutes from Monday, January 12, 2004. Ms. Mary Chandler made a motion to approve the minutes, seconded by Mr. Thomas O'Donnell all voted in favor and the motion passed.

The first order of business was Resolution No. 2- Circle Block Project. Chairman made note that representatives from Kite Construction were present. Chairman introduced the members of Kite as being, Mr. John Kite, Mr. Tom McGowan, Ms. Ashley Ottesen and their lawyer, Mr. Phil Bayt (Ice Miller). Mr. Robert Clifford introduced the presentation of the Circle Block Project. Mr. Clifford explained the purpose of the project being that of the City of Indianapolis' plan to build a five-star hotel, The Conrad-Hilton. Mr. Clifford stated that it is the last part of the Circle Centre Mall development-which consists of \$100MM in new investment as result of the project. The development includes The Conrad-Hilton and the redevelopment of the Goodman-Taylor buildings. Mr. Clifford went on to explain that it is a partnership between Kite Development and Mansur Real Estate Services, who will construct the building. Mr. Clifford then gave a brief history regarding the location of the site where the new hotel will rest. Mr. Clifford went on to state that the agreement was signed in January after working with Kite and Mansur for just over a year. Mr. Clifford then stated that the agreement has gone through a stringent process with the City-County Council and the Indianapolis Economic Development Commission. The bonds will be issued through the Indianapolis Local Public Improvement Bond Bank, with the Q.E. being the Economic Development Commission. Mr. Clifford then introduced Mr. Tom McGowan and Mr. John Kite

Mr. McGowan passed out a directory of the various properties of Conrad-Hiltons', from around the world, to the members of the board. Mr. McGowan then did a quick overview of several items, stating that they all feel very fortunate in securing the Conrad as the operator of the hotel. Mr. McGowan stated that 33% of Conrad managed hotels are listed in the top 80 hotels in the world. He then stated that it was a great statistic which surpasses many of the famously named hotels that most of the public recognizes. He then spoke of where most Conrad's are concentrated, one place being Southeast Asia. There is currently one in the U.S. in New York (Waldorf Astoria) and the second soon to be opened in Miami, Fl. with Indianapolis being the third property. He then listed the major points of Indianapolis being chosen as one of the cities to house a Conrad.

Mr. McGowan went on to explain the physical building, first stating the location (Washington & Illinois St.) and how the property is divided. The first section being the traditional hotel setting, the second will serve as the meeting space component tying into the Arts Garden. The third and fourth floors will be approximately 110 parking spaces. The next level is the mid-section of the hotel which ties in from the 5<sup>th</sup> – 18<sup>th</sup> floors housing the 243 guestrooms. The remaining floors, 19-23, are where the condominiums are located. Mr. McGowan went on to explain the different components and what makes the condominiums unique, (maid service, room service, valet service etc). He also

touched upon the tie-in with the Goodman and Taylor buildings which will house the restaurant, bar, meeting and storage areas. Mr. McGowan then stated that they are putting in 457,000 sq. ft. of new development and will spend over \$100MM in new investment and generate approximately over 500 new construction jobs and \$7.5MM full-time permanent salaries.

The next person to speak was Mr. Chuck Cagann, (Mansur) stating that in addition to the new construction, retail and housing, the Goodman/Taylor buildings are also going to allow Mansur to do rental housing. Chairman Dillon asked if the tenants in the Goodman rentals will be allowed to use the amenities of the hotel. Mr. McGowan stated, "Not at this time." Mr. McGowan then made mention of the minority participation. Chairman Dillon asked if Mr. McGowan could explain the minority participation more in depth. He stated that their goals were 20% on minority and 5% on women businesses.

Mr. Matt Hall presented the financing package of the City and the public investment portion that was put in place. He then stated that Mr. Robert Clifford and he had been working on behalf of the City negotiating the project agreement and continue to work at putting together the financing package incentives investment that are outlined in the project agreement. He then introduced the members of the financing team that were present, Mr. Ted Esping, bond counsel, (Baker & Daniels), who has been working with Mr. Tom Froehle (not present). Mr. Hans Steck, underwriters counsel, (Bingham & McHale) representing NatCity Investments, Mr. John Petty, underwriter, (NatCity), Ms. Ann Forey, and Mr. Rich Harcourt, trustee, (National City). They will provide a letter of credit for the variable rate portion of the transaction. Mr. Hall introduced Mr. Greg Taylor (Gonzalez, Saggio & Harlan) as co-counsel and Jeff Qualkinbush (Barnes & Thornburg).

Mr. Hall went on to explain the structure of the financial package, which is an Economic Development Revenue Bond. It will be issued through the City of Indianapolis and the Economic Development Commission is the Q.E. (Qualified Entity) of the Bond Bank. Mr. Hall then explained the three elements of the bond. The first being an \$18MM tax-exempt component which is secured by parking revenues, to be used for general construction of the hotel, primarily from the Square 74 (World of Wonder parking garage) located near Circle Centre Mall. Ms. Mary Chandler asked if the parking garage was currently unencumbered. Mr. Hall stated that a portion of the garage goes toward securing an existing debt on the Emmis parking garage, which will be released. However, the actual debt to construct that particular garage has no current debt. The second portion of the \$2.5MM component will be used to construct the two levels of parking in the new Conrad structure. The 110 parking spaces will then be offered into an agreement with the Conrad Hilton to pay market rate for the spaces, an amount sufficient to service the debt. The third portion is a \$3.75MM component that is structured as an equity participation loan. This will also be secured by the parking revenues and proceeds from a 2001 hedge transaction which the Bond Bank and the Metropolitan Development Commission entered into. This will purchase an 8% equity interest in the hotel and will entitle the City or an entity of the City to receive 8% of the revenues generated from the hotel or proceeds from a sale in the hotel.

Mr. Arnold Pinkston asked if someone would have to manage it for the City or will the Bond Bank be involved in any aspects of the hotel. Mr. Hall stated that the Bond Bank would not be involved in running or making decisions of the hotel.

Mr. Hall went on to explain that there will also be credit enhancement to the bonds through the use of the debt service reserve. Mr. Pinkston then asked about the \$31MM. Mr. Hall answered, stating that the other piece is existing indebtedness on the Circle Block garage which will be discharged with the financing as well, to free the ability to mortgage the structure and pledge the revenues, which is a \$6MM component of existing debt. Mr. Pinkston then asked about the coverage. Mr. Hall explained that there is a taxable series and a tax-exempt series and the coverage on the taxable series starts at around 108% and builds to approximately 125% and stabilizes at around 130% without a supplemental reserve fund that will be put in place. On the tax-exempt side, the coverage is thinner as they are funding at stabilization account upfront with some cash that the Community Development Corporation currently has to get the coverage ratios up. The original on the parking revenues is between 103 – 105%, with the stabilization reserve it moves up to approximately 110 – 115%. Mr. Hall then covered timing, discussing the number of jobs, annual payroll, and the overall investment of the project. He also discussed the fact that bringing the property back onto the tax rolls has a significant impact to the City of Indianapolis and the downtown area. He spoke of the developers applying for ten-year tax abatement and if that is granted the net impact to the City is approximately \$7MM in the first ten years and at least \$1.5MM each year thereafter. He then stated that they intend to close on the bonds by mid-March and construction would begin immediately thereafter. The approximate time of the construction period is two-years. Mr. Hall asked if there were any questions from the board.

Chairman Dillon again asked Mr. McGowan about the minority aspect of the project. Mr. McGowan stated that from the minority standpoint, they addressed the M/B-W/B (minority and women businesses) inside the project labor agreement so that when dealing with the construction manager, (Hunt Construction Group), they will be required by their contract to meet the standards to address their obligation to the city. Ms. Chandler asked if anyone could explain the ownership or relationship between the Conrad Hilton and the Hilton Hotel Group. Mr. McGowan explained the relationship, stating that Conrad would be both franchise and manager. Ms. Chandler then asked who would be the actual owners. Mr. McGowan stated that Kite would be the owner acting as a franchise to Conrad. Mr. Pinkston asked if they could discuss the security a little further. Mr. Robert Clifford answered, stating that what made the transaction somewhat complicated is the limited number of revenues available to repay the debt. He then stated that because of the low coverage ratios, the transaction is being done as the Indianapolis Bond Bank and the Economic Development Commission, to say that the City is going to give its credit enhancement to the debt. Mr. Pinkston and Ms. Chandler commented that it is a good project.

Chairman Dillon asked for a motion to approve, Mr. Thomas O'Donnell made the motion to approve, seconded by Mr. Arnold Pinkston. All voted and the motion passed.

The next topic of discussion was Waterworks Litigation. Mr. Kobi Wright gave a brief summary of the events that have taken place thus far. He stated that the first was the proposed class action suit against the City and Department of Waterworks initiated by

four non-union US Filter employees. He then stated that they are currently fully briefed before the Federal District Court and have been fully briefed on the motion to dismiss for the past four months and should hear a decision on the motion to dismiss. The second litigation was initiated by a small number of Marion County residents, with the same attorney, John Price, who also initiated the class action lawsuit. The second litigation concerns having the water utility owned and operated by Citizen's Gas, Coke & Utility as a part of the Department of Public Utilities statute. There was a motion to dismiss that was fully briefed and argued before Marion County Superior Judge S.K. Reed in December and Judge Reed informed the chief litigator on the matter in January that she wanted the City to resubmit their pleadings as a motion for summary judgment. Mr. Wright then explained the reason to resubmit.

The next order of business was the Market Square Arena project. Ms. Jennifer Weflen gave a brief summary on the future announcement of the developer for the project.

Mr. Clifford made mention of Mr. Bob Swhier being in the audience and discussed the BAN (Bond Anticipation Note) that was done for the voting machines a year ago, \$11.2MM, and with the federal reimbursements coming through the State are not going to be as generous as first hoped. The Bond Bank is waiting to receive the reimbursements. Mr. Clifford then stated that a few million dollars should be received this year to pay down the note, however, the Bond Bank is going to extend the note, they will be rolled-over until there is a final funding from the federal government and a repayment schedule put in place. Chairman Dillon asked for the discussion to be put on the agenda for the March 2004 board meeting.

There was an interruption before the end of the meeting by a representative from Representative Bill Crawford's office wanting to address the board. Chairman Dillon asked that she address staff after the meeting.

There was no other business to discuss.

Chairman Dillon asked for a motion to adjourn. Mr. Arnold Pinkston made a motion to adjourn, seconded by Mr. Thomas O' Donnell. All voted in favor and the motion passed.

Chairman John J. Dillon adjourned the meeting at 12:37 p.m.